Supreme Court, U.S.
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No. 01-1015

In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit**

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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TABLE OF CONTENTS

Page

Table of Contents i

Table of Authorities ii

Argument 1

I. Respondents' Brief In Opposition Confirms And Amplifies The Conflict Among The Courts Of Appeals, As Does New Authority 1

II. This Case Presents An Important Issue Involving Newly Created Statutory Property Rights On Which The Various Circuits Are In Conflict, Which Is Ripe For Resolution *Now* 3

A. The FTDA, As Incorrectly Construed By Some Courts Of Appeals (Including the Courts Below), Can Lead To "Property Rights In Gross" For Famous Trademarks .. 3

B. The Present Conflict Adversely Affects Businesses, Both By Imposing A Chilling Effect On The Selection And Use Of Trademarks That Cause No Demonstrable Harm, And By Affording Inconsistent Protection To Famous Trademarks 4

C. No Bill Encompassing The "Draft Legislation" Asserted By Respondents Has Been Introduced In Congress 6

D. The Legislative History Of The Trademark Amendments Act Of 1999 Also Supports Granting The Petition For Certiorari 8

Conclusion 10

Appendix

"Cathy," Cathy Guisewite, March 17, 2002 edition 1a

TABLE OF AUTHORITIES

Page

CASES:

Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999) ("*Nabisco*") 1, 3, 7, 9

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999) ("*Ringling Bros.*") 1, 3, 7, 8, 9

The Toro Company v. ToroHead, Inc., 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001) 1, 3, 4, 5, 6

STATUTES:

Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) 8

15 U.S.C. § 1063 [Lanham Act § 13] 2

15 U.S.C. § 1125(c) [Lanham Act § 43(c)] .. 1, 3, 8, 9, 10

LEGISLATIVE HISTORY:

H.R. REP. NO. 106-250, 106th Cong., 1st Sess. (1999) [H.R. 1565, Trademark Amendments Act of 1999] 9

ARGUMENT

I. RESPONDENTS' BRIEF IN OPPOSITION CONFIRMS AND AMPLIFIES THE CONFLICT AMONG THE COURTS OF APPEALS, AS DOES NEW AUTHORITY.

Respondents admit there is a "divergence of statutory interpretation" between the Fourth (*Ringling Bros.*) and Second (*Nabisco*) Circuit decisions over interpretation of the statutory requirement "causes dilution" of the FTDA as embodied in Section 43(c) of the Lanham Act (Brief In Opp. at 5). Respondents also admit that Congress likewise acknowledges the conflict (Statements made in House Subcommittee February 12, 2002 oversight hearing, *see* Brief In Opp., App. A).

Further, new authority, *The Toro Company v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1174 n.7 (T.T.A.B. 2001), also notes the split among the Circuits "on the issue of whether actual dilution must be shown by the plaintiff to prevail in a district court case involving a dilution claim."[1]

In *Toro*, the Trademark Trial and Appeal Board ("Board") of the U.S. Patent & Trademark Office ("PTO"), the agency charged by Congress to administer the Lanham Act of which the FTDA is a component, stated that the split was "irrelevant to our determination here." *Id.* Despite this statement, Petitioners submit that the result reached in *Toro* provides a further reason why the Petition should be granted. The Board in *Toro* held that only *actual*

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[1] The *Toro* decision was published too late to be analyzed and included in the Petition for Certiorari. *Toro* was *not* too late to be discussed in Respondents' Brief in Opposition, but Respondents ignored the aspects of *Toro* most applicable to this case. *See infra* pp. 3-6.

evidence of dilution presented in a proceeding under 15 U.S.C. § 1063, will support an opposition where the damage alleged to preclude registration is based on dilution. *Id.* at 1184. As analyzed further, *infra* pp. 5-6, this means that a mark could survive a dilution challenge in an opposition and become registered. Yet, that registered mark could be enjoined in some (*e.g.*, the Second, Sixth and Seventh) but not in other (*e.g.*, the Fourth and Fifth) Circuits.

Thus, this case presents a conflict not only among the Circuits, but also with the trademark registration/opposition procedures of the PTO.

In addressing the admitted conflict, Respondents' Brief in large measure merely argues why Respondents are right and Petitioners are wrong. This of course argues the merits of Respondents' cause, and does precious little to address the real problem at hand – different parts of the federal judicial and administrative systems treat the same legal issue differently, and that creates a quandary for businesses seeking to adopt trademarks which can both avoid legal sanction and be consistently protected. Thus, there is no question whether this case presents an issue on which the various Courts of Appeals, and the federal agency supervising trademark registration (the PTO) are in conflict.

II. This Case Presents An Important Issue Involving Newly Created Statutory Property Rights On Which The Various Circuits Are In Conflict, Which Is Ripe For Resolution *Now*.

A. The FTDA, As Incorrectly Construed By Some Courts Of Appeals (Including the Courts Below), Can Lead To "Property Rights In Gross" For Famous Trademarks.

It is axiomatic that courts consider dilution "an extraordinary remedy." *Toro*, 61 U.S.P.Q.2d at 1173 (internal quotation omitted). Under the interpretation of "causes dilution" in some Circuits, however, that extraordinary remedy is in danger of becoming commonplace.

In discussing the "extraordinary" nature of the dilution remedy, the Board in *Toro* noted the following passage in *Ringling Bros.*:

> We simply cannot believe that, as a general proposition, Congress could have intended, without making its intention to do so perfectly clear, to create property rights in gross, unlimited in time (via injunction), even in "famous" trademarks.

Id. at 1173 (*quoting Ringling Bros.*, 170 F.3d at 459). The Board also noted that even the Second Circuit in *Nabisco* agreed with this premise. *Id.* at 1173-74 (*quoting Nabisco*, 191 F.3d at 224 n.6).

Petitioners submit that the Second Circuit's amorphous and inherently subjective "likelihood of dilution" standard does in practical effect lead to the creation of property rights in gross for famous trademarks. Those courts which have followed the Second Circuit have compounded the problem. For example, the courts below in the present case reduced the dilution standard under Section 43(c) to a sort of "think and link" test: if a consumer encounters a mark, "thinks" of another, famous

mark and "links" the encountered mark to the famous mark, actionable dilution follows.

A standard more readily enunciating and embracing the practical equivalent of a property right in gross would be difficult to imagine. The fear is that under the "likelihood of dilution" standard, dilution will no longer be an "extraordinary remedy." Many if not most dilution cases result when a famous mark owner objects to the accused party's attempts at parody or irony. Left unchecked, the "likelihood of dilution" standard could authorize courts to issue an injunction too readily, thereby blocking usage which creates no actual harm to the famous mark. *See* "Cathy," Cathy Guisewite, March 17, 2002 edition (App. 1a, *infra*).

In contrast, the Fourth and Fifth Circuits construe the "causes dilution" phrase of the FTDA to require proof of actual harm. Like the actual evidence requirement of the Board in *Toro*, the Fourth Circuit standard not only avoids the "property right in gross" problem, it maintains dilution as an extraordinary remedy, and places workable limits on reach of a dilution-based injunction unlimited in duration.

This Court can preclude the possibility of property rights in gross by granting the Petition for Certiorari, and resolving the statutory interpretation conflict regarding the operative phrase "causes dilution."

B. The Present Conflict Adversely Affects Businesses, Both By Imposing A Chilling Effect On The Selection And Use Of Trademarks That Cause No Demonstrable Harm, And By Affording Inconsistent Protection To Famous Trademarks.

Regardless of the applicability in a given case of the "property rights in gross" issue, the awkward conflict

among the Circuits presents continuing and practical problems, unless this Court resolves the conceded conflict.

There are now two legal standards operating in different parts of the country, and business persons must guess which standard applies to their chosen trademark under the FTDA. In the Fourth and Fifth Circuits, business owners can measure their conduct by an objective standard: whether use of their mark will cause actual dilution and demonstrable harm to a famous mark. In the Second, Seventh and Sixth Circuits, conduct which is permitted in the Fourth and Fifth Circuits will be enjoined if a court subjectively determines, as did the District Court and the Sixth Circuit below, without record evidence of any harm, that "a likelihood of dilution" exists. Thus, a business contemplating national use of a mark will be chilled by the more restrictive standard applied in the Second, Sixth and Seventh Circuits.

Likewise, the owner of a famous mark must guess which standard applies when assessing whether or not the mark will be protected against dilution in a given case. Only in the Second, Sixth and Seventh Circuits will the owner of a famous mark have confidence that the famous mark will be afforded such protection.

The registration process is now impressed with similar doubts. Under *Toro*, a proposed mark cannot be successfully challenged in opposition proceedings unless the challenged mark is "identical or very or substantially similar, " *Toro*, 61 U.S.P.Q.2d at 1183 (internal quotations omitted)[2] and there is proof that the mark would cause

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[2] *Compare with* the standards utilized in the District Court below, Pet. for Cert. at 39a ("sufficiently similar"); and in the Sixth Circuit, Pet. for Cert. at 14a & n.3 ("sufficient similarity . . . [to] conjure an association").

actual dilution, *id.* at 1184. Thus, a business could succeed in having its mark registered, even over a dilution challenge, unless the famous mark owner can muster actual evidence of dilution. However, after registration, that registered mark could be successfully enjoined under the dilution standard in effect in the Second, Sixth and Seventh Circuits on the *same* grounds that were unsuccessful to prevent registration in the Board proceedings. In contrast, if dilution litigation were brought in the Fourth or Fifth Circuits, the registered mark would likely survive challenge.

It does not take a prescient prognosticator to predict that forum shopping will become rampant, as owners of famous marks such as Respondents scurry to the Second, Sixth or Seventh Circuits to file their dilution cases, while owners of challenged marks fashion their defenses so that dilution challenges cannot be brought in, or will be transferred from, those Circuits. Only this Court can forestall these problems, by granting the Petition for Certiorari, and resolving the present conflict among the Circuits.

C. No Bill Encompassing The "Draft Legislation" Asserted By Respondents Has Been Introduced In Congress.

Respondents proffer so-called "draft legislation" (Brief In Opp., App. B at 51a-52a) which they claim would amend the FTDA to adopt a "likely to cause" standard for dilution. However, to state that "Congress . . . is considering" such draft legislation is quite a stretch. Petitioners are unaware of any such Bill actually enrolled in either chamber of Congress, and Respondents cited to none. No formal recognition of the "draft legislation" appears in the Congressional record; the "draft legislation" does not appear on the Thomas website (thomas.loc.gov) with the record of the oversight hearing. It appears that the "draft

legislation" was provided to, then circulated by, the Hon. Howard Coble, Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property. The timing of this mysterious submission is peculiar for its helpful propinquity to the due date of the Respondents' Brief, requested by this Court after Respondents waived the right to file a response.

Further, Respondents' presentation of the oversight hearing materials is unbalanced and incomplete. It is unbalanced because the roster of witnesses for the oversight hearing represented no diversity of viewpoint on the existing Circuit split expressly acknowledged by the members of the Subcommittee. Rather, each witness advocated the *Nabisco* "likelihood of dilution" standard. The Subcommittee did not receive statements from any person or organization advocating the Fourth Circuit's *Ringling Bros.* "actual harm" standard. In addition, at least two witnesses appeared to have a partisan interest in seeking to amend the FTDA's "causes dilution" standard: Sherry L. Jetter, the Vice President of Intellectual Property for Polo Ralph Lauren Corporation, acknowledged that her company lost a case where the court applied the "actual harm" standard (Brief In Opp., App. A at 27a, 31a-32a); and another witness, Ethan Horwitz, is a trademark trial lawyer who represented the prevailing parties in *Nabisco.* The remaining witnesses were representatives of the International Trademark Association ("INTA") and the American Intellectual Property Law Association ("AIPLA").[3]

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[3] INTA is a trade association of trademark owners, and AIPLA is an association of lawyers who by and large represent trademark owners; both associations have an apparent bias in this matter.

Respondents' presentation was incomplete because, as analyzed more fully below, it omitted acknowledgment by the Ranking Member of the Subcommittee of the "two standards adopted by the conflicting circuits," each of which he considered to have "their pros and cons." *See* Statement of Hon. Howard L. Berman, Brief In Opp., App. A at 5a. Further, Mr. Berman stated that he was "unsure of the appropriate standard." *Id.* More glaringly, Respondents omitted discussion of how the legislative history of the Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) ("TAA") relates to the present case. Petitioners discuss the applicability of the TAA immediately below.

D. The Legislative History Of The Trademark Amendments Act Of 1999 Also Supports Granting The Petition For Certiorari.

Principled analysis of the legislative history of the TAA (brought into this case by Respondents, not Petitioners) reveals additional support for granting the Petition for Certiorari. In 1999, only three years after enacting the FTDA, Congress was aware of the actual harm requirement enunciated by the Fourth Circuit in *Ringling Bros.* for the "causes dilution" standard. Despite this awareness, Congress did not amend Section 43(c) of the Lanham Act. The TAA amended other provisions of the Lanham Act to add dilution as a ground to oppose registration of a mark, or to cancel a registered mark. The legislative history of the TAA states:

> The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and *has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark. * * * Section two [of the TAA] is necessary for several reasons. Resolution of the dilution issue before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the Board would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before *dilution-type damage has been suffered* in the marketplace by the owner of the famous mark.

H.R. Rep. No. 106-250, at 5 (1999) (emphasis added).

The legislative history of the TAA thereby manifests an acquiescence by Congress to this Court's plain meaning rule (*see* Pet. for Cert. at 22-24) which the Fourth Circuit applied in its *Ringling Bros.* opinion. Congress took up the TAA with knowledge of the Fourth Circuit's interpretation of the "causes dilution" statutory language of Section 43(c). In the TAA legislative history quoted above, Congress declared that dilution is actionable in a district court when an accused mark *"has caused actual dilution* of a famous mark," thereby acknowledging the Fourth Circuit's actual harm standard. Historically, Congress has never been shy to take legislative action when it perceives that a court has misapplied its statutory terms. However, in 1999 Congress chose not to amend the operative phrase "causes dilution" in Section 43(c). Neither the Second Circuit in *Nabisco*, nor the other Circuits which have confronted the *Ringling Bros./Nabisco* conflict, have taken the legislative history of the TAA into account.

Viewed in this light, Respondents' argument is an assault on the actual language of the statute. The characterization of so-called "draft legislation" as a means to "clarify Congress' intent" is actually *contrary* to both the plain meaning of the FTDA and Congress' evaluation in 1999 of an important judicial decision (*Ringling Bros.*)

interpreting the FTDA. This Court should grant the Petition for Certiorari to prevent the judicial avoidance of the plain meaning rule of statutory construction, under the guise of "clarifying" the intent of Congress.

CONCLUSION

Petitioners and Respondents agree, as does the Trademark Trial and Appeal Board, that a conflict exists among the Circuits over the meaning and application of the statutory phrase "causes dilution" in Lanham Act Section 43(c). This issue is ripe for this Court to resolve *now*, because the conflict presents and causes, on a daily basis, significant problems for business owners in the adoption and use of their trademarks nationwide, *as well as* for famous mark owners in obtaining dilution-based enforcement of their famous marks.

For the foregoing reasons, and the reasons stated in their Petition, Petitioners urge the Court to grant their Petition for Writ of Certiorari.

Respectfully submitted,

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Cathy
10,000,000,000-FUNCTION HUMAN: NO INTEREST.
10-FUNCTION REMOTE:
AWESOME!
UPGRADED HAIR AND MAKEUP: NO REACTION.
UPGRADED POCKET PC:
IS THAT THE NEW ONE?? LET ME SEE! LET ME SEE!
TEENY LITTLE BLACK DRESS: NO RESPONSE.
TEENY LITTLE CELL PHONE:
CAN I HOLD IT? CAN I TRY IT? ME FIRST!!!!
SLEEK STILETTOS, SLINKY PANTS, SULTRY SWEATER TOPPED BY AN ASTOUNDINGLY BRILLIANT, CREATIVE, INSIGHTFUL, LOVING, EDUCATED BRAIN: ZIP.
SLEEK LAPTOP:
I LOVE IT! I LOVE IT! I LOVE IT!
FORGET "VICTORIA'S SECRET." WOMEN SHOULD SHOP IN "VICTOR'S SECRET."
WHO! IS THAT A USB CABLE PEEKING OUT OF YOUR PURSE?!?!